Facilities and Administrative (F&A) Cost “base year” and how it affects the entire university

Jeffrey Silber
Division of Financial Affairs
Remember …

This is DFA Conversations.

Your questions, comments and interruptions throughout these slides are both welcomed and encouraged!
What is base year?

- The year (FY20) used to develop F&A rate proposal
- Proposal or extension request will be due 12/31/20
- Review performed by Division of Cost Allocation, Health and Human Services
- Site visit by DCA in Summer 2021
- Negotiation of rates in Summer 2021
- Rates will be effective July 1, 2021 (FY22)
Why is the whole university affected?

• In order to receive an F&A rate from the federal government the accounting for the entire university must comply with the cost principles in 2 CFR 200
  – This facilitates the use of standard buckets for cost and an efficient and effective review

• Must also be consistent with our disclosed costing practices (DS-2)
What is the F&A Rate

- This rate is the mechanism whereby the university gets reimbursed for infrastructure costs incurred in the pursuit of sponsored activity.
- The rate, negotiated with the federal government, is assessed against most grant expenditures.
- Currently the rates are 64% (EN) and 57% (CC) of Modified Total Direct Cost. This means that of a $1000 award, the project will receive no less than $610 for direct costs, and the college will receive $390 towards infrastructure costs.
- In FY18 the Ithaca-based campus received approximately $84M in F&A recovery.
F&A = Real Cost of Supporting Research

- Buildings
- Equipment
- Interest
- Operation and Maintenance
- Libraries

Above items are not capped

- Departmental Administration
- Academic Support
- Institutional Support

Above items are capped at 26%.
Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution’s ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.

Direct costs - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research.

Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is not covered by F&A reimbursement.

Utilities – ventilation, heat, air conditioning, water, and lighting.

Secure data storage, internet, telecommunications, and high-speed data processing.

Radiation and chemical safety, including safety training and hazardous waste disposal.

Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff.

Costs of federal, state, and local regulatory compliance, including human and animal safety review boards.

Advanced research lab equipment.

Library and research facilities.
Many of the things you do routinely over the course of a year directly affect Cornell’s proposal, the review process, and the resulting rates.

- Flaws in our proposal, or discrepancies noted in the site review, will result in a lower rate.
- Each point of the rate is worth approximately $1.25M.
- Areas of concern include:
Base Size

• Functional Classification of Accounts
  – If the function is wrong, then the base size may be wrong.

• Cost Sharing
  – If not booked properly the base is too small

• NIH Cap
  – If not accounted for correctly then the base is too small

“Base too small” means proposed rate is too high
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Compliance

• Uniform Guidance
  – Is the UG being properly observed
  – Are we treating costs consistently
  – Is there any activity that disadvantages the government

• Disclosure Statement
  – Are we following our own rules

• Proper Rate Application
  – Large payback at another university (and a smaller one at another)
  – Must observe the institutional definition
For all activities performed at a location which has neither the use nor aid of owned or leased University-operated facilities and with personnel off campus for two months or longer, the off-campus rate will apply. Normally actual costs will be apportioned between on-campus and off-campus components with each portion bearing the appropriate rate. For further details please refer to the Disclosure Statement (DS-2).
Rate Components

- Space Survey
- Equipment
- Admin / Clerical Costs
Space Survey

• Space drives half of the rate allocation and is uncapped
• Proper coding and backup is critical
• Space allocation used for:
  – Building depreciation and interest
  – Operation and maintenance expenses
  – Equipment depreciation
• New facilities always have a high potential for review during the site visit (Cornell Tech)
Equipment

- Is it located where indicated in our records
- Is it in use
- Was it inventoried
- Is it properly tagged

Will you be able to find it quickly on a late summer/fall day?
Admin / Clerical

• Admin/Clerical has been a normally indirect cost for almost 25 years.

• Charging directly may represent a situation of “bypassing” the 26% admin cap.

• HHS will seek to ensure that directly charged admin/clerical costs are compliant with UG and Cornell policy.
Site Review

- Units and PIs selected by DHHS
- Pre-review analysis of supplemental state
- Review consists of an interview with PI
- Walk-through of lab
- Review of capital assets

Could your unit be chosen? The results will affect all federal awards for a much as a five year period.
Questions asked during the interview

- What do you do here?
- How are you paid?
- How are students paid?
- Any unfunded students?
- Who is in this space?
- Any Research Training Grants?
- Do you teach and what percentage?
- How are students funded?
- Do you have visiting scientists in this space
- Any changes in funding or space?
Support for units

• DFA Cost and Capital Assets
  – Nancy Abbott, Manager
  – Kevin Hull, Financial Analyst
• Training sessions
• Policies
Questions (or conversations)?